

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

**CHEVRON ENVIRONMENTAL MANAGE-
MENT COMPANY**

**and
CHEVRON U.S.A., INC.**

**PROCEEDINGS UNDER THE LOUISIANA
ENVIRONMENTAL QUALITY ACT
LA. R.S. 30:2001, ET SEQ.**

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* **Enforcement Tracking No.**
* **AE-PP-00-0261**
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* **Enforcement Tracking Nos.**
* **AE-PP-00-0263 & AE-PP-00-0270**
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SETTLEMENT

The following Settlement is hereby agreed to between CHEVRON ENVIRONMENTAL MANAGEMENT CO., CHEVRON U.S.A., INC. (“Respondents”), and the Department of Environmental Quality (“DEQ” or “the Department”), under authority granted by the Louisiana Environmental Quality Act, La. R.S. 30:2001, et seq. (“the Act”).

I

Respondent Chevron Environmental Management Co. is non-Louisiana corporation who operated a temporary project involving the remediation, by underground injection, of oil field waste removed from out-of-service production pits and a contaminated dead end canal located in the vicinity of the Chevron U.S.A., Inc. Bay Marchand Terminal, an onshore oil and gas receiving terminal near Port Fourchon, Lafourche Parish, Louisiana.

II

Respondent Chevron U.S.A, Inc. is non-Louisiana corporation who operates the Bay Marchand Block 1, “T/HH” Structure, an oil and gas production facility near Port Fourchon, Lafourche Parish, Louisiana, and the West Bay Compressor Station, located approximately twelve miles east of Venice in State Territorial Seas, Plaquemines Parish, Louisiana.

III

On December 29, 2000, the Department issued a Notice of Potential Penalty, Enforcement Tracking No. AE-PP-00-0261 to Chevron Environmental Management Company, which was based upon the following findings of fact:

The Respondent operated a temporary project involving remediation of oil field waste in out-of-service production pits and in a contaminated dead end canal located in the vicinity of the Bay Marchand Terminal without applying for and obtaining the appropriate air permit prior to initiating the project. This is a violation of LAC 33:III.501.C.2 and Sections 2057(A)(1) and 2057(A)(2) of the Act.

IV

On December 29, 2000, the Department issued a Notice of Potential Penalty, Enforcement Tracking No. AE-PP-00-0263 to Chevron U.S.A., Inc., which was based upon the following findings of fact relating to the Bay Marchand Block 1, “T/HH” Structure:

The Respondent exceeded the limit of 2.0 tons per year of volatile organic compounds (VOCs) for the glycol reboiler, Emission Point No. 9-91, established in Air Permit No. 1560-00058-02 issued on May 5, 1994. The limit was exceeded in the years 1999 and 2000. This is a violation of LAC 33:III.501.C.4 and Sections 2057(A)(1) and 2057(A)(2) of the Act.

V

On February 19, 2001, the Department issued a Notice of Potential Penalty, Enforcement Tracking No. AE-PP-00-0270 to Chevron U.S.A., Inc., which was based upon the following findings

of fact relating to the West Bay Compressor Station:

1. The Respondent exceeded the permitted run times for the compressor engines, Emission Point Numbers 01, 07, 08, and 21, and generator engines, Emission Point Numbers 15 and 16, for the year 1997. This is a violation of Air Permit No. 2240-00084-V1, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
2. The Respondent exceeded the permitted run times for the compressor engines, Emission Point Numbers 01, 02, 07, 08, and 21, and generator engines, Emission Point Numbers 15 and 16, for the year 1998. This is a violation of Air Permit No. 2240-00084-V1, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
3. The Respondent exceeded the permitted run times for the compressor engines, Emission Point Numbers 01, 02, 07, 08, and generator engines, Emission Point Numbers 15 and 16, for the year 1999. This is a violation of Air Permit No. 2240-00084-V1, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
4. The Respondent exceeded the permitted emissions of carbon monoxide (CO) for the generator engines, Emission Point Numbers 15 and 16, for the years 1997, 1998, and 1999. This is a violation of Air Permit No. 2240-00084-V1, LAC 33:III.501.C.4, and Sections 2057(A)(1) and 2057(A)(2) of the Act.
5. The Respondent exceeded the permitted emissions of nitrogen oxides (NO_x) for the compressor engine, Emission Point Number 01, and generator engines, Emission Point Numbers 15 and 16, for the year 1997. This is a violation of Air Permit No. 2240-00084-V1, LAC 33:III.501.C.4, and Sections 2057(A)(1) and 2057(A)(2) of the Act.
6. The Respondent exceeded the permitted emissions of NO_x for the compressor engines, Emission Point Numbers 01 and 07, and generator engines, Emission Point Numbers 15 and 16, for the year 1998. This is a violation of Air Permit No. 2240-00084-V1, LAC 33:III.501.C.4, and Sections 2057(A)(1) and 2057(A)(2) of the Act.
7. The Respondent exceeded the permitted emissions of NO_x for the compressor engines, Emission Point Numbers 01, 07, and 08, and generator engines, Emission Point Numbers 15 and 16, for the year 1999. This is a violation of Air Permit No. 2240-00084-V1, LAC 33:III.501.C.4, and Sections 2057(A)(1) and 2057(A)(2) of the Act.
8. The Respondent exceeded the permitted annual throughput for the glycol still column, Emission Point Number 19, for the years 1998 and 1999. This is a

violation of Air Permit No. 2240-00084-V1, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.

9. The Respondent exceeded the permitted annual volatile organic compounds (VOC) emissions for the glycol still column, Emission Point Number 19, for the years 1998 and 1999. This is a violation of Air Permit No. 2240-00084-V1, LAC 33:III.501.C.4, and Sections 2057(A)(1) and 2057(A)(2) of the Act.
10. The Respondent failed to achieve the permitted control efficiency of 98 percent on the glycol still column, Emission Point Number 19, for the years 1998 and 1999. This is a violation of Air Permit No. 2240-00084-V1, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
11. The Respondent failed to permit two standby generators, the 818 horsepower Production Barge Standby Generator engine and the 90 horsepower Warehouse Standby Generator engine, prior to operation. This is a violation of LAC 33:III.501.C.2 and Section 2057(A)(2) of the Act.
12. The Respondent failed to permit a heater treater prior to operation. This is a violation of LAC 33:III.501.C.2 and Section 2057(A)(2) of the Act.

VI

Respondent Chevron U.S.A., Inc. provided additional information regarding the violations described in Paragraph V above, and information regarding additional exceedances of emission limitations at the West Bay Compressor Station, as follows:

A. Combustion Engines (emission points 01, 02, 07, 08, 15, and 16)

The Respondent exceeded the following permit run time and emissions limitations for the years listed in the following tables for the combustion engines:

1997

Emission Point	Engine	Formaldehyde (tons per year)	
		Actual	Permitted
07	#4 CB Compressor	1.51	0.64
08	#5 CB Compressor	1.61	0.64
09	#6 CB Compressor	3.12	1.66
15	CS #1 Genenerator	0.007	0.002
16	CS #2 Generator	0.007	0.002

1998

Emission Point	Engine	NM/NE (tons per year)		Formaldehyde (tons per year)	
		Actual	Permitted	Actual	Permitted
07	#4 CB Compressor	--	--	1.88	0.64
08	#5 CB Compressor	--	--	1.74	0.64
09	#6 CB Compressor	--	--	3.16	1.66
15	CS #1 Genenerator	0.016	0.003	0.048	0.002
16	CS #2 Generator	0.016	0.003	0.048	0.002

1999

Emission Point	Engine	Total NM/NE (tons per year)		Formaldehyde (tons per year)	
		Actual	Permitted	Actual	Permitted
07	#4 CB Compressor	--	--	1.95	0.64
08	#5 CB Compressor	--	--	1.91	0.64
09	#6 CB Compressor	--	--	3.58	1.66
15	CS #1 Genenerator	0.013	0.003	0.040	0.002
16	CS #2 Generator	0.013	0.003	0.040	0.002

2000

Emission Point	Engine	Run Times (Hours)		CO (tons per year)		NO _x (tons per year)		Total NM/NE (tons per year)		Formaldehyde (tons per year)	
		Actual	Permitted	Actual	Permitted	Actual	Permitted	Actual	Permitted	Actual	Permitted
01	#1 IR Compressor	7,719	6,048	--	--	227.02	186.50	--	--	--	--
02	#2 IR Compressor	8,113	7,392	--	--	213.66	211.67	--	--	--	--
07	#4 CB Compressor	7,762	6,048	--	--	89.46	79.13	--	--	1.79	0.64
08	#5 CB Compressor	7,744	6,048	--	--	--	--	--	--	1.78	0.64
09	#6 CB Compressor	--	--	--	--	--	--	--	--	3.40	1.66
15	CS #1 Genenerator	1,724	192	4.86	0.34	2.89	0.40	0.008	0.003	0.026	0.002
16	CS #2 Generator	1,775	192	5.01	0.34	2.97	0.40	0.009	0.003	0.027	0.002

The Department considers these acts and omissions to be in violation of LAC 33:III.501.C.4 and La. R.S. 30:2057(A)(1) and (2).

B. Glycol Still Column (emission point 19)

The Respondent exceeded the following permit limitations for the years listed in the following table for the Glycol Still Column:

Year	Throughput (Mcf/d)		VOCs (tpy)		% Control	
	Actual	Permitted	Actual	Permitted	Actual	Permitted
1997	39,771	20,000	13.00	5.7/0.25		
2000	38,380	20,000	3.55	0.25	96.6	98

These emissions in excess of permitted limits are in violation of LAC 33:III.501.C.4 and La. R.S. 30:2057(A)(1) and (2).

Respondent operated the Glycol Still Column, Emission Point #19, without the required glycol dehydrator controls, from April 20, 1996 until early 1998, in violation of LAC 33:III.2116.E, and La. R.S. 30:2057(A)(1) and (2).

C. Vapor Recovery Unit

As reported by the Respondent in the annual compliance certification dated March 31, 1999, for the period of January 1, 1998 to December 31, 1998, the facility's vapor recovery unit (VRU) was not in operation due to mechanical problems for a number of days in 1998. As noted in the letter dated April 19, 2001, the VRU controls vapors from the free water knockout (Emission Point 36). The Respondent failed to install, properly operate and/or maintain all proposed control measures and/or equipment as specified in the application and supplemental information. This is a violation of Louisiana Air Emission Permit General Condition I of Air Permit No. 2240-00084-V1, LAC 33:III.501.C.4 and 905, and La. R.S. 30: 2057(A)(1) and (2).

The Respondent reported that VRU downtime in 1998 could have been as low as 10 percent or as high as 45 percent. Based on the downtime, the Respondent noted that emissions of volatile organic compounds (VOC) were between 2.39 tons and 12.35 tons for 1998, which is above the permitted 1.4 tons per year as listed on the Emissions Inventory Questionnaire (EIQ) for Emission Point 36. The Respondent's exceedance of the permitted tons per year emission rate of VOC for Emission Point 36 as listed on the EIQ for that emission source is a violation of General Condition II of Air Permit No. 2240-00084-V1, LAC 33:III.501.C.4, and La. R.S. 30: 2057(A)(1) and (2).

VII

Respondents deny that they committed any violations or that they are liable for any fines, forfeitures and/or penalties. Nonetheless, Respondents, without making any admission of liability under state or federal statute or regulation, jointly agree to pay, and the Department agrees to accept, a payment in the amount of seventy thousand dollars (\$70,000), of which One-thousand Seven-Hundred Forty-one and 76/100 Dollars (\$1,741.76) represents DEQ's enforcement costs, in settlement of the claims set forth in this agreement. The total amount of money expended by Respondents on cash payments to DEQ as described above, shall be considered a civil penalty for tax purposes, as required by La. R.S. 30:2050.7(E)(1).

VIII

Respondents further agree that the Department may consider the inspection reports, the Notice of Potential Penalty, and this Settlement for the purpose of determining compliance history in connection with any future enforcement or permitting action by the Department against Respondents, and in any such action Respondents shall be estopped from objecting to the above-referenced documents being considered as proving the violations alleged herein for the sole purpose

of determining Respondents' compliance history.

VIII

This agreement shall be considered a final order of the secretary for all purposes, including, but not limited to, enforcement under La. R.S. 30:2025(G)(2), and Respondents hereby waive any right to administrative or judicial review of the terms of this agreement.

IX

This settlement is being made in the interest of settling the state's claims and avoiding for both parties the expense and effort involved in litigation or an adjudicatory hearing. In agreeing to the compromise and settlement, the Department considered the factors for issuing civil penalties set forth in LSA- R. S. 30:2025(E).

X

Respondents have caused a public notice advertisement to be placed in the official journal of the parish governing authorities in Lafourche and Plaquemines Parishes. The advertisement, in form, wording, and size approved by the Department, announced the availability of this settlement for public view and comment and the opportunity for a public hearing. Respondent has submitted a proof-of-publication affidavit to the Department and, as of the date this Settlement is executed on behalf of the Department, more than forty-five (45) days have elapsed since publication of the notice.

XI

Payment is to be made within ten (10) days from notice of the Secretary's signature. If payment is not received within that time, this Agreement is voidable at the option of the Department.

Penalties are to be made payable to the Department of Environmental Quality and mailed to the attention of Darryl Serio, Office of Management and Finance, Financial Services Division, Department of Environmental Quality, Post Office Box 4303, Baton Rouge, Louisiana, 70821-4303.

XII

In consideration of the above, any claims for penalties are hereby compromised and settled in accordance with the terms of this Settlement.

XIII

Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his/her respective party, and to legally bind such party to its terms and conditions.

CHEVRON ENVIRONMENTAL MANAGEMENT COMPANY

BY: Michael C. Smith
(Signature)

Michael C. Smith
(Printed)

TITLE: Assistant Secretary

THUS DONE AND SIGNED in duplicate original before me this 26th day of
May, 20 04, at New Orleans, La.

Warren J. Sheppard Jr
NOTARY PUBLIC (ID # 12012)

Warren J. Sheppard Jr
(Printed or Typed)

WARREN J. SHEPPARD
NOTARY PUBLIC
State of Louisiana
Louisiana State Bar #12012
My Commission is issued for Life

CHEVRON U.S.A., INC.

BY: Michael C. Smith
(Signature)

Michael C. Smith
(Printed)

TITLE: Assistant Secretary

THUS DONE AND SIGNED in duplicate original before me this 26th day of
May, 20 04, at New Orleans, La.

Warren J. Sheppard, Jr.
NOTARY PUBLIC (ID # 12012)

Warren J. Sheppard, Jr.
(Printed or Typed)

WARREN J. SHEPPARD
NOTARY PUBLIC
State of Louisiana
Louisiana State Bar #12012
My Commission is issued for Life

STATE OF LOUISIANA
Mike D. McDaniel, Ph.D. Secretary
Department of Environmental Quality

BY: Harold Leggett
Harold Leggett, Ph.D., Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 31st day of
August, 20 04, in Baton Rouge, Louisiana.

Christopher A. Ratcliff
NOTARY PUBLIC (ID # 136757)

Approved: Harold Leggett 5/4/04
Harold Leggett, Ph.D., Assistant Secretary

Christopher A. Ratcliff
(Printed or Typed)



CHARLES C. FOTI, JR.
ATTORNEY GENERAL

State of Louisiana
DEPARTMENT OF JUSTICE
P.O. BOX 94005
BATON ROUGE
70804-9005

August 3, 2004



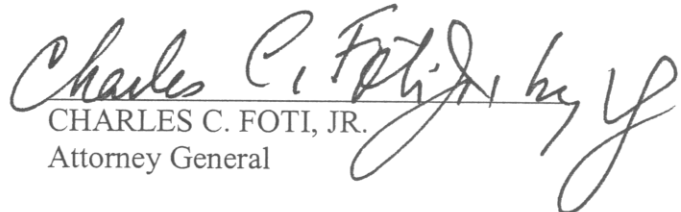
Mike D. McDaniel, Secretary
La. Department of Environmental Quality
Office of the Secretary
P.O. Box 4301
Baton Rouge, LA 70821-4301

Re: Review of DEQ Settlement;
Chevron Environmental Management Company &
Chevron U.S.A., Inc.
AE-PP-00-0261, et al

Dear Secretary McDaniel:

Pursuant to the authority granted to me by R.S. 30:2050.7(E)(2)(a), I approve the above referenced settlement.

Sincerely,


CHARLES C. FOTI, JR.
Attorney General

NG/ttp